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April 1, 1999

Office of the Fiscal Assistant Secretary
U.S. Department of Treasury, RM. 2112
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Sir or Madam:

I am writing on behalf of Nehemiah Progressive Housing Development Corporation ("Nehemiah") to urge Treasury to prohibit check cashers and other "payment service providers" from providing recipients access to electronic federal benefits, as part of EFT 99. Check cashers prey upon low-income consumers and deny their customers the consumer protections provided at mainstream financial institutions.

Nehemiah is a 501(c)(3) affordable housing, non-profit organization and we focus on making homeownership affordable for low to moderate-income families. Nehemiah is currently the largest provider of down payment assistance grants in the United States. We are General Partners in several tax credit housing projects that are specifically for senior citizens. We also are involved in direct community revitalization efforts in distressed low-income communities.

Treasury began EFT 99 with the stated goal of bringing the unbanked into the financial mainstream. Allowing check cashers to be the access point for federal benefits recipients to receive their funds, however, does exactly the opposite. Check cashers force consumers to pay excessive fees for transactions that should be available to them at a reasonable cost. For instance, in California check cashers charge an annual percentage rate of almost 400% for a payday loan! With interest rates this high, recipients are prevented from having access to their benefits at a reasonable cost.

Check cashers also provide consumers few protections that they would receive if they banked at a federally insured financial institution. If federal benefits recipients have an account with such fringe bankers, check cashers may withhold federal funds as payment for past sums owed the check casher.

174
4/5

By allowing check cashers to provide access to federal funds, Treasury will not only condone, but stimulate the abusive practices of check cashers. While the customer will go to the check casher to receive her federal benefits, she may also become a potential customer for numerous other abusive transactions. The number of check cashers has doubled since 1990, and is steadily growing. This profitable industry makes no reinvestment back into the low-income communities in which they operate.

It is time Treasury made EFT 99 a program that truly protects consumers and ensures that low-income recipients are not relegated to a position outside the financial mainstream. Please prohibit arrangements wherein recipients of electronic federal payments gain access to benefits through non-depository payments service providers

Your assistance is very much needed and greatly appreciated.

Sincerely,

Kenneth Watkins
Kenneth Watkins
Project Manager

Cc: California Reinvestment Committee

175